

# **REPORT OF THE AUDITOR-GENERAL ON MUKIRIA TECHNICAL TRAINING INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2019**

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## **REPORT ON THE FINANCIAL STATEMENTS**

### **Disclaimer of Opinion**

I have audited the accompanying financial statements of Mukiria Technical Training Institute set out on pages 1 to 37, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of cash flows, statement of changes in net assets and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya 2010 and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### **Basis for Disclaimer of Opinion**

#### **1.0 Failure to Submit Financial Statements**

The Management of the Institute did not submit for audit the financial statements for the year ended 30 June, 2018 contrary to the requirements of Section 68(2)(k) of the Public Finance Management Act, 2012 which requires an Accounting Officer to prepare annual financial statements for each financial year within three months after the end of the financial year.

In the circumstances, the accuracy of opening balances could not be confirmed.

#### **2.0 Property, Plant and Equipment**

##### **2.1 Land and Buildings**

The statement of financial position as at 30 June, 2019 and Note 21(a) to the financial statements reflects Kshs.42,755,883 in respect to property, plant and equipment which excludes values of land and buildings. However, records provided for audit review indicated that the Institute has two parcels of land numbers Abo/Mariene 2/781 and Nyweri/Mariene/779 measuring 2.75 and 2.6 acres respectively, which were not disclosed in these financial statements. Further, ownership documents and valuation reports for land including two (2) other parcels of land leased by the Institute were not provided for audit review.

In the circumstances, the accuracy, completeness and ownership of the Institute's land and buildings as at 30 June, 2019 could not be ascertained.

## **2.2 Motor Vehicles**

As disclosed in Note 21(a) to the financial statements, the statement of financial position reflects property, plant and equipment balance of Kshs.42,755,883 which includes an amount of Kshs.3,570,000 in respect to motor vehicles. The latter balance further includes an amount of Kshs.870,000 relating to one motor vehicle, registration number KCM 841B which had a private registration number instead of State Corporation reflective sheet as required. No justification or explanation was given for the anomaly. This is contrary to Section 12 of the Traffic (Registration Plates) Rules, 2016 that requires that the registration plate for a state corporation vehicle shall bear the required number of optical recognizable characters depending on the type of motor vehicle embossed and printed in white on blue aluminium reflective sheet.

Further, Section 14 of the Act provides that the registration plate of a Government of Kenya vehicle shall bear seven optical recognizable characters with prefix "GK" embossed and printed in black on white aluminium reflective sheet for the front plate and yellow reflective sheet for the rear plate.

In the circumstances, the validity and ownership of the motor vehicle could not be confirmed.

## **3.0 Presentation of the Financial Statements**

Review of the Institute's financial statements revealed the following presentation anomalies:

- i. The Institute's financial statements reflects at page iv under "Key Entity Information and Management" physical address of the Auditor-General as "Anniversary Towers, Institute Way" instead of "Anniversary Towers, University Way".
- ii. Note 24, 25 (iv) and 26 to the financial statements in respect to deferred income, capital risk management and related party balances reflects the year under review and previous comparative year as 2019-2020 and 2018-2019 instead of 2018-2019 and 2017-2018 respectively. In addition, Note 27 and 28 in respect to contingent assets and contingent liabilities respectively at page 31 reflects incorrect financial year as 2018/2018 instead of 2018/2019.
- iii. Note 26 to the financial statements appears twice under related party balances and segment information at pages 30 and 31 respectively.

In view of the foregoing, the financial statements presented for the year ended 30 June, 2019 do not conform to International Public Sector Accounting Standard No.1 on presentation of financial statements and the reporting framework prescribed by the Public Sector Accounting Standards Board.

#### **4.0 Late Submission of Financial Statements**

The financial statements for the year ended 30 June, 2019 were submitted for audit on 01 December, 2020, about fourteen (14) months after the statutory deadline of three (3) months after the end of the financial year contrary to Section 68(2)(k) of the Public Finance Management Act, 2012 which requires an Accounting Officer to prepare annual financial statements for each financial year within three months after the end of the fiscal year to which the accounts relate.

In the circumstances, the Institute was in breach of the law.

#### **5.0 Staff Ethnic Composition**

Review of the personnel records provided for audit review indicated that the Institute's Board of Governors had employed thirty-four (34) staff members. However, 21 members of staff or 62% were from the dominant community contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which provides that no public establishment shall have more than one third of its staff from the same ethnic community.

In the circumstances, the Institute was in breach of the law.

#### **6.0 Use of Goods and Services – Expenditure on Smart Cards**

Note 11(a) to the financial statements reflects use of goods and services expenditure of Kshs.30,321,413 out of which Kshs.600,000 was in respect of purchase of one thousand and ninety (1,090) students' smart cards during the year under review. However, a Local Purchase Order (LPO) for the purchase of the cards was not provided for audit review.

Further, at the time of audit exercise in December, 2020, the Institute had only received three hundred and seventeen (317) smart cards while the balance of seven hundred and seventy-three (773) had not been supplied. In addition, out of three hundred and seventeen (317) cards received, only twenty-eight (28) cards had been issued to students and the balance of two hundred and eighty-nine (289) cards were still being kept in the Institute's stores. No explanation was provided for the delay in issuance of the cards to students.

In the circumstances, the propriety and value for money in respect of purchase of smart cards of Kshs.600,000 could not be confirmed.

#### **7.0 Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects an approved receipt budget and actual on comparable basis of Kshs.85,954,897 and Kshs.68,077,637 respectively resulting to a revenue shortfall of Kshs.17,877,260. Management has not provided any explanation for the shortfall in revenue.

Similarly, the statement reflects actual expenditure of Kshs.49,902,909 against an approved budget of Kshs.85,954,897 resulting to an under expenditure of Kshs.46,175,425 or 53% of the budget. However, records indicate that the Institute over spent on three items by an amount of Kshs.10,123,423 for which, no approval or supplementary budget was provided for audit review. This is contrary to Section 40(5) of the Public Finance Management (National Government) Regulations, 2015 which provides that accounting officers may seek supplementary budget if the expenditure cannot be met by budget reallocation.

In the circumstances, the Management was in breach of the law.

### **8.0 Lack of Internal Audit Function**

During the year under review, the Institute operated without Internal Audit function. This is contrary to Section 73(1)(a) the Public Finance Management Act, 2012 which provides that every national government entity shall have appropriate arrangements in place for conducting internal audit according to the guidelines of the Public Sector Accounting Standards Board.

As a result, the Institute lacks internal structures, which could provide advice and assurance to the management regarding effectiveness of the Institute's internal controls risk management and governance.

### **9.0 Failure to Establish an Audit Committee**

The Institute had not established an Audit Committee as at 30 June, 2019 contrary to Section 73(5) of the Public Finance Management Act, 2012. The law requires every national government public entity to establish an Audit Committee to support the Accounting Officer with regard to issues of risk, control governance and associated assurance and follow up on the implementation of the recommendations of internal and external auditors.

In the circumstances, the effectiveness of the internal controls, risk management and governance of the Institute could not be confirmed.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

# REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

## **Conclusion**

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

## **Responsibilities of Management and Board of Governors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Institute's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Institute or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Board of Governors is responsible for overseeing the Institute's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

## **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the Institute's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion in accordance with the provisions of

Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and on effectiveness of internal controls, risk management and governance.

I am independent of Mukiria Technical Training Institute Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.



**CPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**11 January, 2022**